

**CARROLL COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Independent Auditors' Reports
Financial Statements and
Required Supplementary Information
Schedule of Findings**

June 30, 2009

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	4
Management's Discussion and Analysis	5 - 10
Financial Statements:	
Statement of Net Assets	11
Statement of Revenues and Expenses	12
Statement of Changes in Net Assets	13
Statement of Cash Flows	14
Notes to Financial Statements	15 - 22
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23 - 24
Schedule of Findings	25 - 26
Audit Staff	27

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Marty Danzer	Chairperson	Carroll County
Edgar Hunt	Vice-Chairperson	City of Lanesboro
Keith Dorpinghaus	Secretary-Treasurer	City of Coon Rapids
Jim Pedelty	Member	City of Carroll
Harvey Dales	Member	City of Manning
Mary Wittry	Director	
Muriel McDermott	Office Manager	

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
KARLA L. FULTON

TRUDENE L. WITTMAACK
TAMMY M. BRUCH
ROBERT L. MUHLBAUER

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carroll County Solid Waste
Management Commission

We have audited the accompanying financial statements of Carroll County Solid Waste Management Commission, (the Commission), as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2009 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 10 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Olsen, Muhlbaue & CO., LLP
OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
November 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

Statement of Purpose

The Carroll County Solid Waste Management Commission was formed in 1971 with the express intent of providing cost-effective and environmentally sound solid waste management options for the citizens of Carroll County.

The Goals of the Commission remain the same as they were in 1971:

- to operate a cost-effective solid waste facility;
- to operate an environmentally sound solid waste facility;
- to comply with federal and state solid waste management regulations for operating a solid waste management facility including compliance with the waste management hierarchy
 - ~ source reduction
 - ~ recycling
 - ~ energy recovery
 - ~ volume reduction
 - ~ state-of-the-art land filling
- to educate users of the Commission's facilities about proper waste management.

Financial Highlights

- The Commission's operating revenues decreased 3.25%, or \$76,698, from fiscal 2008 to fiscal 2009. Tipping fees increased and product sales decreased.
- The Commission's operating expenses were 3.9%, or \$66,780, more in fiscal 2009 than in fiscal 2008.
- The Commission's net assets increased 9.21%, or \$635,698, from June 30, 2008 to June 30, 2009.

Using This Annual Report

The Carroll County Solid Waste Management Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Carroll County Solid Waste Management Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as shown on the following page.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report (Continued)

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statements of Revenues and Expenses, and Changes in Net Assets are the basic statements of activities for proprietary funds. These statements present information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Commission

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2009 totaled approximately \$7,540,000. This compares to approximately \$6,904,000 for fiscal 2008. A summary of the Commission's net assets is presented below:

Net Assets		
	June 30,	
	2009	2008
Current Assets	3,988,126	3,722,753
Restricted Investments	1,328,060	1,146,042
Capital Assets at Cost, Less Accumulated Depreciation	3,510,389	2,951,159
Total Assets	8,826,575	7,819,954
Current Liabilities	509,911	148,973
Noncurrent Liabilities	777,135	767,150
Total Liabilities	1,287,046	916,123
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,510,389	2,951,159
Restricted	1,328,060	1,146,042
Unrestricted	2,701,080	2,806,630
Total Net Assets	7,539,529	6,903,831

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Commission (Continued)

The largest portion of the Commission's net assets (47%) is represented by investments in capital assets. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The amount restricted for closure and post closure care is \$1,328,060. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due. Unrestricted net assets also include \$1,789,980 designated landfill expansion funds.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for tipping fees from accepting solid waste, assessments from the residents of the County, recycling processing fees and product sales. Operating expenses are paid to operate the landfill, recycling center and household hazardous waste and education programs. Non-operating revenues and expenses include interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008 is presented below:

Changes in Net Assets		
	Year Ended June 30,	
	2009	2008
Operating Revenue		
Tipping Fees	1,468,476	1,281,768
Community Assessments	254,000	254,012
Product Sales and Processing Fees	478,468	748,285
Other Operating Revenues	82,181	75,758
Total Operating Revenue	2,283,125	2,359,823
Operating Expenses		
Salaries	410,068	400,244
Employee Benefits	150,365	161,987
Machinery Maintenance, Labor and Parts	102,063	79,415
Oil and Gas	87,605	111,305
Long Range Planning and Engineering	98,195	157,928
Site Maintenance	46,764	18,728
Site Utilities	59,022	44,607
Office Expense	7,032	8,071
Training and Travel	5,284	5,565
Legal and Accounting	10,400	9,903
Insurance	54,035	46,770
Closure and Post Closure Care Costs	10,235	(19,123)

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets (Continued)

	Changes in Net Assets	
	Year Ended June 30, 2009	2008
Operating Expenses		
Planning and Recycling Expenses	50,116	48,266
Iowa Department of Natural Resources Tonnage Fees	161,232	140,686
Lab Fees	35,850	0
Depreciation	342,475	334,231
Non-capitalized Equipment and Supplies	36,790	65,404
Contracted Services	104,770	95,312
Miscellaneous	18,617	14,839
Total Operating Expenses	<u>1,790,918</u>	<u>1,724,138</u>
Operating Income	<u>492,207</u>	<u>635,685</u>
Non-operating Revenues (Expenses)		
Interest Income	143,491	180,745
Interest Expense	0	0
Net Non-operating Revenue	<u>143,491</u>	<u>180,745</u>
Increase in Net Assets	635,698	816,430
Net Assets Beginning of Year	<u>6,903,831</u>	<u>6,087,401</u>
Net Assets End of Year	<u><u>7,539,529</u></u>	<u><u>6,903,831</u></u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2009, operating revenues decreased by \$76,698 from fiscal 2008 to fiscal 2009. Tipping fees increased by \$186,708 and product sales decreased by \$249,986. Operating expenses increased by \$66,780, or 3.9%. Some areas of significant change include the following: Closure and Post Closure Care Costs increased by \$29,358, Long Range Planning and Engineering expenses decreased by \$59,733, Fuel Cost decreased by \$23,700, Iowa DNR Tonnage Fee increased by \$20,546, required Lab Fees increased by \$35,850 and Repairs and Maintenance increased by \$22,648.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes tipping fees, assessments and recycling reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing includes purchase of certificates of deposits and interest income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

At June 30, 2009 the Commission had approximately \$6,996,000 invested in capital assets, with accumulated depreciation of approximately \$3,485,000. Depreciation charges totaled \$342,475 for fiscal 2009. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

At June 30, 2009 and 2008, the Commission did not have any outstanding debt. In addition, the Commission has recorded an estimated liability for the current cost of closure and post closure care in the amount of \$777,135 for 2009 and \$767,150 for 2008.

Economic Factors

Carroll County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment owned and operated by the Commission require constant maintenance, upkeep and upgrades.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Mandatory annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. These deposits will continue to increase with increased costs due to additional monitoring required by the landfill rules in Chapter 113.
- Volatile market prices for processed recyclable materials continue to present a budgeting challenge. Fluctuating tonnage delivered for processing due to outside organizations, companies, and individuals marketing the products directly presents staffing and budgeting challenges.
- The Iowa Department of Natural Resources mandated that all permitted landfills start placing waste on a lined cell by October 1, 2007. The Commission continues to be in a position to accept additional solid waste from other counties, should the opportunity arise as landfill agencies decide to come into compliance with the new landfill rules that became effective in December 2007 or close and transfer solid waste to another landfill site.
- The Commission stopped burying waste in the original landfill area as of July 2006. The area consists of 31.2 acres and closure was completed in the fall of 2007 with the 30-year post-closure period starting at that time.
- The Commission built its third Subtitle D cell and started putting waste in the cell in July 2009. The cost of the construction project was paid with funds that were set aside for future expansion. Cost of the project totaled \$896,485.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors (Continued)

- The revised Chapter 113 rules – Sanitary Landfills – Municipal Solid Waste became effective in December 2007. The revised rules will have a substantial financial impact on the Commission's budget due to the increased costs in complying with the rules.
- The full Commission approved increasing the tipping fee to \$40 per ton for the 2009-2010 fiscal year with the assessment fee of approximately \$11.85 per capita remaining the same.
- A life cycle cost analysis was completed in fiscal year end 2007, which gave the Commission a long-term financial picture using current information. The analysis will be updated on a as needed basis.

It is estimated that airspace available to continue disposal operations will be available through 2040 with the current waste flow. To save airspace, the Commission purchased a "Tarpomatic" system to cover the area where garbage is placed. By law, garbage must be covered with six inches of dirt at the end of the day or an alternative cover must be used. The Commission has adopted a policy of restricting solid waste fees collected from outside counties for future expansion. The amount so designated at June 30, 2009 is \$1,789,980.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact Carroll County Solid Waste Management Commission, 19111 Kittyhawk Avenue, Carroll, Iowa 51401.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Net Assets

June 30, 2009

Assets

Current Assets

Cash and Cash Equivalents	1,126,669
Certificate of Deposits	2,643,364
Accounts Receivable (Net of Allowance \$490)	148,883
Interest Receivable	43,272
Inventory	5,935
Prepaid Assets	<u>20,003</u>

Total Current Assets

3,988,126

Noncurrent Assets

Capital Assets:

Land	451,765
Buildings	1,572,544
Landfill Improvements	2,698,192
Landfill Equipment	1,335,840
Recycling Equipment	913,276
Office Equipment	24,106
Less: Accumulated Depreciation	<u>(3,485,334)</u>

3,510,389

Restricted Investments

1,328,060

Total Noncurrent Assets

4,838,449

Total Assets

8,826,575

Liabilities and Net Assets

Current Liabilities

Accounts Payable	101,948
Contract Payable	393,012
Accrued Compensated Absences	<u>14,951</u>

Total Current Liabilities		509,911
---------------------------	--	---------

Noncurrent Liabilities

Landfill Closure and Post Closure Care Costs	<u>777,135</u>
--	----------------

Total Noncurrent Liabilities		<u>777,135</u>
------------------------------	--	----------------

Total Liabilities		<u>1,287,046</u>
-------------------	--	------------------

Net Assets

Invested in Capital Assets, net of Related Debt	3,510,389
Restricted For:	
Closure and Post Closure Care	1,328,060
Tonnage Fees Retained	0
Unrestricted	<u>2,701,080</u>

Total Net Assets		<u>7,539,529</u>
------------------	--	------------------

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Revenues and Expenses For Year Ended June 30, 2009

Operating Revenues:

Tipping Fees	1,468,476
Community Assessments	254,000
Outside County Processing Fees	53,361
Product Sales	425,107
Farm Rent & Miscellaneous	18,130
DNR Fees Retained - Groundwater Protection	64,051
	<hr/>

2,283,125

Operating Expenses:

Salaries	410,068
Employee Benefits	150,365
Advertising	15,050
Amortization and Depreciation	342,475
Cleaning	153
Closure and Post Closure Care Costs	10,235
Drop Box Service	35,066
Education and Training	2,549
Long Range Planning and Engineering	98,195
Fuel	87,605
Freight	18,563
Insurance	54,035
Iowa DNR Tonnage Fee	161,232
Lab Fees	35,850
Legal and Accounting	10,400
Miscellaneous	18,617
Office Supplies	7,032
Outside Services	67,930
Repairs and Improvements	102,063
Site Maintenance	46,764
Supplies - General	36,790
Telephone	2,214
Toxic Waste Fees	18,124
Travel	2,735
Utilities	56,808
	<hr/>

1,790,918

Operating Income

492,207

Non-Operating Revenue

Interest Income	143,491
	<hr/>
Increase in Net Assets	635,698
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Changes in Net Assets
For Year Ended June 30, 2009

			<u>Restricted</u>		
	Unrestricted Operating <u>Fund</u>	Investment in Capital <u>Assets</u>	<u>Regulatory Requirements</u>	DNR Fees Retention <u>Fund</u>	<u>Total</u>
Balance- Beginning of Year	2,806,630	2,951,159	1,146,042	0	6,903,831
Increase in Net Assets	600,104	0	34,674	920	635,698
Transfers (Net)	<u>(705,654)</u>	<u>559,230</u>	<u>147,344</u>	<u>(920)</u>	<u>0</u>
Balance - End of Year	<u><u>2,701,080</u></u>	<u><u>3,510,389</u></u>	<u><u>1,328,060</u></u>	<u><u>0</u></u>	<u><u>7,539,529</u></u>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Flows For Year Ended June 30, 2009

Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	1,546,931	
Cash Received from Assessments	254,000	
Cash Received from Product Sales and Processing Fees	487,143	
Cash Received from Other Operating Receipts	82,181	
Cash Paid to Suppliers for Goods and Services	(899,913)	
Cash Paid to Employees for Services	(552,833)	
Net Cash Provided by Operating Activities		917,509
Cash Flows from Capital and Related Financing Activities:		
Purchase of Property and Equipment	(525,563)	
Net Cash Used by Capital and Related Financing Activities		(525,563)
Cash Flows from Investing Activities:		
Purchase of Certificates of Deposit - Restricted	(182,018)	
Purchase of Certificates of Deposit - Unrestricted	(467,791)	
Redemption of Certificates of Deposit - Unrestricted	961,380	
Interest Received	157,133	
Net Cash Provided by Investing Activities		468,704
Net Increase in Cash and Cash Equivalents		860,650
Cash and Cash Equivalents at Beginning of Year		266,019
Cash and Cash Equivalents at End of Year		<u>1,126,669</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income		492,207
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	342,475	
Closure and Post Closure Costs	9,985	
Changes in Assets and Liabilities:		
Decrease Accounts Receivable	78,455	
Decrease Inventory	8,675	
Decrease Prepaid Assets	916	
(Decrease) Accounts Payable	(22,801)	
Increase Accrued Compensated Absences	7,597	
Total Adjustments		425,302
Net Cash Provided by Operating Activities		<u>917,509</u>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements June 30, 2009

Note 1 – Summary of Significant Accounting Policies

Organization

The Carroll County Solid Waste Management Commission (the Commission) is a joint undertaking of Carroll County and the municipalities of Carroll County organized pursuant to the provisions of Code Section 28E of the Iowa Code. The Commission was established for the purpose of developing, operating, and maintaining solid waste facilities for and on behalf of the municipalities who are members. In 1990, construction was completed on a recycling plant for Carroll County. Since becoming operational in November 1990, the plant has become a regional center for recycling.

The Commission is composed of an elected representative from the governing body of each participating governmental jurisdiction. A five-member executive board is elected, consisting of a member from the City of Carroll, a representative from the Carroll County Board of Supervisors and three at-large members. Each member shall be entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent general federal census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Carroll County Solid Waste Management Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units, which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements as well as applicable authoritative pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash, Investments and Cash Equivalents

The Commission considers all unrestricted cash and short-term investments that are highly liquid, with an original maturity of three months or less to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 include certificates of deposits of \$3,969,439.

Restricted Assets

Funds set aside for payment of closure and postclosure care costs are classified as restricted as detailed in Note 3.

Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. The provision for uncollectible accounts is based upon the age and collectability of specific accounts. The Commission grants credit to customers, many of who are local haulers or residents. Interest accrues on accounts 30 days after invoice date, however, there is no formal policy on accounts 90 days past due. The balance of accounts over 90 days past due at June 30, 2009 was \$445.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

Inventory

Inventory that is recorded on the books at June 30, 2009, consists of recycling bags and bins which are carried at cost, principally on a first-in, first-out basis, but not in excess of market. The recycling center also has on hand marketable processed recyclables; however, no system has been developed that would allow for a reasonable estimation of the processing cost. Until these costs can be accumulated with some accuracy, they will continue to be expenses as incurred.

Capital Assets

Capital Assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over fifteen to twenty-five years and equipment is depreciated over a five to fifteen year life.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess \$1,000 and estimated useful lives in excess of one year.

In accordance with Governmental Accounting Standards, the lives of certain facilities and equipment may be adjusted to coincide with the remaining estimated useful life of the landfill. In addition, equipment and facilities included in the estimated total current cost of closure and postclosure care are not reported as capital assets, but will be reported as a reduction of the accrued liability when they are acquired.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2009.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences

Commission employees accumulate earned but unused vacation hours and personal time off (PTO) hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and PTO has been computed based on rates of pay in effect at June 30, 2009, and is treated as a current payable at that date.

Advertising Costs

The cost of advertising is expenses as incurred.

Note 2 – Cash and Investments

The Commission's deposits at June 30, 2009 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Standards Board Statement No. 3, as amended by Statement No. 40.

Note 3 – Restricted Funds

The Commission has established accounts, designated for the following purposes:

Closure and Postclosure Care Costs	\$ 1,328,060
Equipment Additions	\$ 341,114
Future Landfill Expansion	\$ 1,789,980

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements
June 30, 2009

Note 4 – Capital Assets

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	426,470	25,295	0	451,765
Capital assets being depreciated:				
Buildings	1,572,544	0	0	1,572,544
Equipment	2,269,194	5,658	(1,630)	2,273,222
Landfill Improvements	1,827,440	870,752	0	2,698,192
Total capital assets being depreciated	5,669,178	876,410	(1,630)	6,543,958
Less accumulated depreciation for:				
Buildings	701,289	51,440	0	752,729
Equipment	1,303,777	149,619	(1,630)	1,451,766
Landfill Improvements	1,139,423	141,416	0	1,280,839
Total accumulated depreciation	3,144,489	342,475	(1,630)	3,485,334
Total capital assets being depreciated, net	2,524,689	533,935	0	3,058,624
Total capital assets, net	2,951,159	559,230	0	3,510,389

Equipment includes \$20,606 of assets originally acquired under a capital lease with accumulated depreciation totaling \$13,930, including \$2,061 of depreciation for the year ended June 30, 2009. Lease amortization is included in current year depreciation. The leased equipment consists of a New Holland Tractor.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements June 30, 2009

Note 5 – Closure and Postclosure Care Cost

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Carroll County Solid Waste Management Commission have been estimated at \$497,079 for closure and \$1,424,680 for postclosure, for a total of \$1,921,759 as of June 30, 2009, and the portion of the liability that has been recognized is \$777,135. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of Cell 1B is two years and the estimated capacity used at June 30, 2009 is 75 percent. A new cell 2A is set to open in the summer of 2009. The estimated remaining life of the expected usable landfill area is forty-four years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2009, assets of \$1,328,060 are restricted for these purposes, of which \$289,030 is for closure and \$1,039,030 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements June 30, 2009

Note 5 – Closure and Postclosure Care Cost (Continued)

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurances for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under the mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$\begin{array}{lcl} \text{NP} & = & \frac{\text{CE} - \text{CB}}{\text{Y}} \\ \text{NP} & = & \text{next payment} \\ \text{CE} & = & \text{total required financial assurance} \\ \text{CB} & = & \text{current balance of the fund} \\ \text{Y} & = & \text{number years remaining in the pay-in period} \end{array}$$

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 6 – Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10 percent of their annual covered salary and the Commission is required to contribute 6.35 percent of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 was \$24,613, \$23,309 and \$22,513 respectively, equal to the required contributions for each year.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Note to Financial Statements June 30, 2009

Note 7 – Agreements with Outside Counties

The Commission has entered into a number of contracts with outside counties to provide landfill and/or recycling services. The agreements expire on various dates through 2015. Generally, while landfill usage affects the life of the current space available, recycling services are being offered without significantly increasing expenses.

Note 8 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. General liability coverage is provided through membership in the Iowa Communities Assurance Pool. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

Note 9 – Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2009, there were no unspent amounts retained by the Commission.

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
KARLA L. FULTON

TRUDENE L. WITTMACK
TAMMY M. BRUCH
ROBERT L. MUHLBAUER

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the
Carroll County Solid Waste
Management Commission

We have audited the financial statements of Carroll County Solid Waste Management Commission as of and for the year ended June 30, 2009, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll County Solid Waste Management Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Carroll County Solid Waste Management Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Olsen, Muhlbaumer & Co., LLP
OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
November 10, 2009

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings For Year Ended June 30, 2009

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that generally one person has control over each of the following areas for the Commission.

- 1) Accounting System – record keeping for revenues and expenses, and related reporting.
- 2) Receipts – collecting, depositing, journalizing and posting.
- 3) Bank Reconciliation – preparation and maintenance of accounting records.
- 4) Payroll – changes to master list, preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult, however, we will have the Director review receipts, posting and payroll on test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- (B) Financial Reporting and Financial Statement Preparation – Internal controls over financial reporting include the preparation and review of financial statements, including footnote disclosure, for external reporting. As auditors, we are engaged to assist in preparation of the Commission's financial statements and related disclosures; however, we cannot be considered part of the Commission's internal control system. As is common for most smaller governmental entities, management lacks the expertise to effectively detect potential errors in the financial statement close process and resulting financial statements.

Recommendation – The Commission should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. The review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the Commissions operations.

Response – We will implement all reasonable review procedures; however, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response accepted.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings For Year Ended June 30, 2009

Other Findings Related to Statutory Reporting:

- 1) Questionable Expenses – We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- 3) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 4) Deposits and Investments – The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 5) Solid Waste Fees Tonnage Retainage – During the year ended June 30, 2009, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- 6) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	New Site		Old Site
	Closure	Postclosure	Postclosure
Total estimated costs for closure and postclosure care	43,570	66,399	667,166
Less: Balance of funds held in the local dedicated fund at June 30, 2008	(198,021)	(198,021)	(750,000)
	0	0	0
Divided by the number of years remaining in the pay-in-period (or life of cell if shorter)	÷ 2	÷ 2	÷ 1
Required Payments into the local dedicated fund for the year ended June 30, 2009	0	0	0
Balance of funds held in the local dedicated fund as June 30, 2008	198,021	198,021	750,000
Required balance of funds to be held in the local dedicated fund at June 30, 2009	43,570	66,399	667,166
Amount Commission has restricted for closure and postclosure care at June 30, 2009	289,030	289,030	750,000

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Audit Staff

This audit was performed by:

Patrick J. O'Brien, CPA, Partner

Richard D. Muhlbauer, CPA, Partner

Robert L. Muhlbauer, CPA, Partner